FISCAL NOTE

Bill #: **SB0117.rev**

Title: **Revise certain laws within the Workers' Compensation Act**

Primary Sponsor: **Fred Thomas**

Status: **As introduced**

Sponsor signature Date

Dave Lewis, Budget Director Date

Fiscal Summary

	FY2000 Difference	FY2001 Difference
Expenditures:		
State Special Revenue	$1,185,817	$1,059,267
Proprietary Fund	$613,136	$606,233
Revenue:		
State Special Revenue	$1,185,817	$1,059,267
Net Impact on General Fund Balance:	$0	$0

Yes	No		Yes	No	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Labor and Industry

1. Revenue projections are based on projections of benefits paid of $123,959,399 in calendar year (CY) 1998, which is the base for FY 2000 and $119,334,937 in CY 1999, which is the base for FY 2001. The CY 1998 projection is based on three quarters of actual reported benefit paid information by insurers. CY 1999 benefit projections are the downward trend in total benefit payments that will continue.

   Benefit payments

   CY96 $141,298,688 CY98 $123,959,399

CY97 $134,089,297 CY99 $119,334,937

2. CI-75 has no impact on the 2.6% rate as approved by the 1997 Legislature which will take effect July 1, 1999, but it will likely have an impact on raising the rate to 3.5%. If CI-75 is applicable, a companion bill sending this issue to the electorate should be prepared for the planned June 1999 vote..
3. The total amount has been applied to personal services object of expenditure because cuts initially applied to present a balanced budget were taken as vacancy savings in the Executive Budget, which should be restored if this bill is approved.
4. Failure to remove the 2.6% cap and approve this funding will mean the loss of approximately 25% of the department budget request for the Workers' Compensation Regulation Program. The result would be the inability to perform statutorily-mandated functions.

State Fund

5. Current law imposes a 2.6% assessment fee on plan 1 employers, plan 2 insurers, and plan 3 the State Fund.
6. The 2.6% assessment fee is applied to all compensation benefits paid by the State Fund in the preceding calendar year.
7. The 2.6% assessment is applied to all medical benefits paid by the State Fund except those in excess of $200,000 per occurrence.
8. The benefits paid in excess of the $200,000 limitation cannot be determined at this time.
9. The fiscal impact as cited, is based on total indemnity and medical benefits paid.
10. The proposed legislation increases the assessment to 3.5%.
11. The change in the assessment rate from 2.6% to 3.5% of the preceding year's benefit payments equates to a 34.6% fee increase.
12. The following table illustrates the increase in the assessment fee from the current 2.6% of benefits paid to the 3.5% level requested in the bill.

	Est. 2001	Est. 2000	Ext. 1999	Est. 1998	1997
Losses Paid	$67,359,180	$68,126,175	$69,458,000	$68,134,376	$72,059,911
Assmt. @ 2.6%	$1,751,339	$1,771,281	$1,805,908	$1,771,494	$1,873,558
Assmt. @ 3.5%	$2,357,571	$2,384,416	$2,431,030	$2,384,703	$2,522,097
Increase from 2.6% to 3.5%	$606,233	$613,136	$625,122	$613,209	$648,539

13. The State Fund estimates a $600,000 increase to our operating expenditures will require a rate increase to policyholders of approximately 1.0%.
14. Should this legislation pass it will require approval of the electorate. The cost of the ballot initiative will not be an expense of the State Fund.

FISCAL IMPACT:

	FY2000 Difference	FY2001 Difference

FTE		
Department of Labor and Industry		
Expenditures:		
Personal Services	$1,185,817	$1,059,267
Funding:		
State Special Revenue (02)	$1,185,817	$1,059,267
Revenues:		
State Special Revenue (02)	$1,185,817	$1,059,267
Net Impact to Fund Balance (Revenue minus Expenditure):		
State Special Revenue (02)	$0	$0
State Fund		
Expenditures:		
Operating Expenses	$613,136	$606,233
Revenues:		
Proprietary Fund (06)	$613,136	$606,233
Net Impact to Fund Balance (Revenue minus Expenditure):		
Proprietary Fund (06)	$0	$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
This legislation will also increase the assessment to all Plan 1 and Plan 2 workers' compensation insurers.

LONG-RANGE IMPACTS:
Changes to Section 15 affecting the certification of individuals under the subsequent injury fund are expected to result in an additional 18 applications for certification each fiscal year and an additional 12 individuals becoming certified. Liability on a claim is not assumed by the subsequent injury fund until a minimum of two years has elapsed from date of injury. Therefore, impact on the fund will not begin to occur until the 2003 biennium. At that time, one additional claim per fiscal year is anticipated, resulting in an additional $5,000 to $10,000 in additional benefit payments per fiscal year.

TECHNICAL NOTE:
The effective date states that this bill is effective on the date the assessment fee is approved by the electorate or on July 1, 1999, whichever occurs first. If the bill is not approved by the electorate prior to July 1, 1999, can it become effective? Will the bill be repealed if it is disapproved by the electorate after July 1, 1999?